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# State of Utah Department of Commerce

## Division of Securities

FRANCINE A. GIANI  
*Executive Director*

JASON P. PERRY  
*Deputy Director*

WAYNE KLEIN  
*Director of Securities*

### NEWS RELEASE

November 1, 2006

#### **Default Entered Against Promoter Taking Investments for Secret Government Contracts** ***Investor gives \$150,000 to fund projects that don't exist ...***

**SALT LAKE CITY, Utah** – The Utah Division of Securities today entered an order against Blacksmith Management Group, of Salt Lake, and its president, Bennie Smith, Jr. The order was entered by default after Smith and the company failed to respond to the Division's Order to Show Cause issued on August 8. Smith is currently believed to be living in Arizona. The Cease and Desist Order finds that Smith and Blacksmith took \$150,000 from an investor to fund government contracts that did not exist.

According to the Order, Smith told an investor he had acquired a confidential government contract in Ohio and needed \$8,000 to purchase a trailer and several computers. The investor sent the money in March 2002. Later, an additional \$35,000 was invested. Smith promised the investor 10% interest on the money invested and said the investment was secured by Las Vegas property worth \$2.5 million, which was free of any liens. In 2003, the Las Vegas property was foreclosed to pay at least \$1.2 million in outstanding debt on the property and the investor received nothing.

Shortly thereafter, Smith told the investor he had obtained a secret government contract in Houston that would make millions and he would be able to repay her entire investment. Because it was a secret government project, Smith said he could not disclose details of the contract. In January 2004, Smith told the investor he had obtained a contract to manufacture 50,000 doors in Florida and needed \$75,000 to purchase equipment. He showed the investor a business plan for the project and promised 10% interest on the investment. The investor borrowed the money from the bank, using the equity in her home. For both investments, Smith and Blacksmith paid the investor only \$9,000 in interest.

The Order found that Smith and Blacksmith lied to the investor when saying Smith had obtained a door manufacturing contract and a secret government contract in Texas, that the property in Las Vegas was worth \$2.5 million and had no liens, and that the first investment would be used to purchase a trailer and computers – when, in fact, the money was used to pay personal expenses. The Order also found that the securities were unregistered.

The default order requires that Smith and Blacksmith cease and desist any violations of Utah securities laws and imposes \$275,000 in fines. The investor has already obtained judgments against Smith & Blacksmith for the amount of her investments.

Investors are urged to contact the Division to make sure anyone offering investments is licensed. 801.530.6600, or toll free at 1.800.721.7233. [www.securities.utah.gov](http://www.securities.utah.gov).